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Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street NW - Room 222  
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: Revisions to Price Cap Rules for AT&T  
CC Docket Nos. 87-313, 93-197

Dear Mr. Caton:

This letter responds to the "issue" raised in Bell Atlantic's *ex parte* letter of August 29. Bell Atlantic once again complains of AT&T's alleged failure to pass through access charge reductions.<sup>1</sup> Like its prior writings on the subject, Bell Atlantic's August 29 letter misstates the facts.

First, Bell Atlantic mischaracterizes AT&T's new True Reach Savings<sup>sm</sup> plan as "raising prices." In fact, True Reach is an additional discount option for residential customers, pure and simple. Under the plan, residential customers can save up to 25% on virtually every type of AT&T call. It is disingenuous and misleading to characterize a new discount plan as a rate increase.

Second, Bell Atlantic states that AT&T is "curtailing enrollment" in its True Savings<sup>®</sup> plan. In fact, True Savings remains in effect for customers enrolled in that plan and no change has been made to that option. If a customer wants True Savings, they can have it; or, if they prefer True Reach, they can have that. Enrollment in either plan is purely a function of our customer's choice.

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<sup>1</sup> Bell Atlantic presented virtually identical allegations in its July 7 Petition to Deny AT&T's annual price cap filing and in its June 19 opposition to AT&T's Petition for Waiver of the residential index. In both cases, Bell Atlantic's arguments were rejected. See Letter dated August 1, 1995 from Geraldine A. Matise, Chief, Tariff Division, Common Carrier Bureau to Edward Shakin, Esq., Bell Atlantic and John W. Bogy, Esq., Pacific Bell ("Delta Y Letter Ruling"); AT&T Corporation's Petition for Waiver of Section 61.47(f)(2) of the Commission's Rules, Order, DA95-1452 (Rel. June 29, 1995).

Third, and most significantly, AT&T has reduced prices for customers far in excess of the corresponding Commission-ordered access reductions. In fact, AT&T is currently priced almost \$960 million below its price cap for residential services.<sup>2</sup> As Bell Atlantic is keenly aware,<sup>3</sup> AT&T was required to permanently adjust its price cap to reflect the \$310 million annualized reduction in access charges attributable to its consumer services.<sup>4</sup> However, independent of this price cap requirement AT&T has substantially reduced prices in response to competition. These reductions have taken the form of customer choices for a wide range of discount plans that reflect the competitiveness of the long distance market.

In short, AT&T's customers have already received savings in excess of the access reductions, driven not by price caps but by the competitive market. By contrast, Bell Atlantic has been giving lip service to the Commission-imposed access reductions for the last three months, despite the fact that they are in court trying to overturn the Commission's order.

In the final analysis, Bell Atlantic either has failed to do its homework, or has simply chosen to gracelessly ignore the facts in its zeal for attention.<sup>5</sup> Bell Atlantic suggests a rule for dollar for dollar pass through of access charges. What Bell Atlantic does not, indeed as a monopoly carrier cannot understand is that the rules have become irrelevant, due to the competitiveness of the long distance market.

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<sup>2</sup> Because Bell Atlantic filed its letter in a rulemaking relating exclusively to AT&T's price cap services for residential customers, AT&T will confine its response to within the scope of this proceeding. However, Bell Atlantic's gratuitous comments regarding AT&T's business services are no less off the mark than its comments regarding residential services.

<sup>3</sup> See *Delta Y Letter Ruling*, at 3 ("As Bell Atlantic acknowledges, the Commission's rules are clear on this point.").

<sup>4</sup> In addition to its other embellishments, Bell Atlantic grossly exaggerates the size of the access reduction, failing to account for: (1) \$300 million in offsetting increases; (2) the amount of the industry decrease attributable to other carriers; and (3) allocations between AT&T's price cap and non-price cap services. *Cf. Delta Y Letter Ruling*, at 4-5 ("[O]ur review of AT&T's filing revealed no errors in AT&T's calculation of the reduction . . . which amounts to approximately \$312 million. Further, . . . Bell Atlantic's analysis fails to allocate access charge reductions between price cap and non-price cap services."). Taking these factors into account shrinks Bell Atlantic's self-proclaimed "mammoth" \$1.2 billion access reduction to a modest \$310 million in annualized savings for AT&T on price cap services.

<sup>5</sup> "[Bell Atlantic's August 29] letter to the FCC appears to be part of a strategy to gain early Bell entry into long distance through major telecom legislation likely to be approved by Congress this year." *Bell Atlantic Tells FCC that AT&T is Overcharging Customers*, *Washington Telecom Week*, at 7 (Sept. 1, 1995).

For AT&T's customers the choice is among hundreds of competing carriers who are trying to win them over with attractive competing offers. These offers evolve dynamically as the competitive market works to provide maximum benefits and choice to customers. The results are more choices of plans, lower prices, innovative offers and higher quality service. These same benefits will hopefully become available to Bell Atlantic's local exchange customers as they begin to face and understand the dynamics of a competitive market.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. G. Salemmme". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

R. G. Salemmme

cc: Hon. Reed Hundt  
Hon. Andrew Barrett  
Hon. Rachelle Chong  
Hon. Susan Ness  
Hon. James Quello  
Ms. Kathleen Wallman